



**Testimony HB 310
Ways & Means Committee
February 8, 2022
Position: FAVORABLE**

Dear Chairperson Atterbeary and Ways and Means Committee Members:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities.

HB 310 would authorize the Mayor and City Council of Baltimore City to set special property tax rates, under certain circumstances, for any class or subclass of real property that is subject to the county property tax; and applying the Act to all taxable years beginning after June 30, 2022.

Baltimore has one of the highest income tax burdens of all the cities in the country. Taxes are the highest rates in the state. In Baltimore City, tax abatements could provide a temporary (or, less frequently, permanent) reduction in recurring taxes associated with real property or tenants of real property. This includes property tax assessment freeze; property tax rate reductions; sales, import, or income tax-free zones. Tax abatements can enhance development feasibility by allowing operators to reduce their operating costs.

Baltimore city has widely used tax increment financing (TIF) as a tool for capital subsidies to development projects. However, TIF relies on property tax revenues, some of which may be forgone with property tax abatements. The scale of the tax abatement is limited by a jurisdiction's tax formulas. TIF's impact on economic activity is mixed: Many recent findings show that TIF does little to deliver economic growth and sometimes simply relocates economic activity that would have occurred elsewhere without TIF. Empirical studies of other TIF-related effects, including its impact on school finance, land uses, and budgeting, suggest that communities should use it cautiously to avoid unintended consequences. (e.g. loss of school funding, etc.)

Baltimore city needs more tools for economic development. Special tax rates could provide new ways to incentivize development.

We urge your favorable report.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network